

1 DAVID W. SHAPIRO (NYSBN 2054054)  
2 United States Attorney  
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10 UNITED STATES DISTRICT COURT  
11 NORTHERN DISTRICT OF CALIFORNIA  
12 SAN FRANCISCO DIVISION

13 UNITED STATES OF AMERICA, )  
14 )

15 Plaintiff, )

16 v. )

17 JOHN B. HYDE, )

18 Defendant. )  
19 )  
20 )

No.

VIOLATIONS: 18 U.S.C. § 1341 – Mail  
Fraud; 18 U.S.C. § 1347 – Health Care  
Fraud; 18 U.S.C. § 1956(a)(1)(A)(i) –  
Laundering of Monetary Instruments; 18  
U.S.C. § 1957(a) – Engaging in Monetary  
Transactions in Property Derived from  
Specified Unlawful Activity; 18 U.S.C. § 2  
– Aiding and Abetting; 18 U.S.C. 982(a)(1)  
– Forfeiture

SAN FRANCISCO VENUE

21 INDICTMENT

22 The Grand Jury charges:  
23

24 COUNTS ONE THROUGH NINE: (18 U.S.C. §§ 1341 & 2 – Mail Fraud)

25 BACKGROUND

26 1. At all times relevant to this Indictment, defendant John B. Hyde (hereafter  
27 “HYDE”) was a resident of Marin County, California. HYDE was president of Interstate  
28 Services Incorporated (hereafter “ISI”), a Nevada corporation with its principal office located in  
Novato, California. ISI maintained bank account numbers 0501020358 and 0501069173 at

INDICTMENT

1 WestAmerica Bank in San Rafael, California (hereafter "WestAmerica Accounts 1 and 2",  
2 respectively).

3 2. ISI purported to be in the business of administering health plans for small  
4 businesses. ISI marketed a program called the "ERISA Employee Health Benefit Plan," also  
5 known as the "ERISA Advantage" (collectively the "Health Plan"), which provided health  
6 coverage to employers and employees in return for the payment of premiums. At all times  
7 relevant to this Indictment, the Health Plan was a private plan and contract affecting commerce  
8 under which medical benefits, items and services were provided to individuals and entities.

9 3. On or about the dates indicated below, in the Northern District of California and  
10 elsewhere, the defendant

11 JOHN B. HYDE

12 devised and intended to devise a scheme and artifice to defraud, and to obtain money and  
13 property by means of false and fraudulent pretenses, representations and promises, well knowing  
14 that the pretenses, representations and promises were false when made, which scheme or artifice  
15 to defraud is described as follows:

16 4. It was part of the scheme and artifice to defraud that HYDE, individually and  
17 through ISI, solicited employers and employees (hereafter "Participants") to enroll in the Health  
18 Plan.

19 5. It was further part of the scheme and artifice to defraud that HYDE, individually  
20 and through ISI, falsely represented to Participants, agents, regulators, insurance companies, and  
21 others the following:

22 (a) Approximately 30 percent of the money received from Participants would  
23 be deposited into Individual Trust Accounts at Riggs Bank in Washington, D.C. (hereafter "Trust  
24 Accounts") for the benefit of each employer. The Trust Accounts would be used exclusively to  
25 pay claims submitted by Participants.

26 (b) Approximately 70 percent of the money received from Participants would  
27 be used to purchase a group health insurance policy (hereafter "Stop Loss Insurance Policy").

28 (c) The Stop Loss Insurance Policy would be provided by an admitted, highly

1 rated insurance company domiciled in the United States such as Ohio National or Zurich  
2 American. An admitted insurance company is one that is licensed to transact insurance business  
3 in the state where it is operating.

4 (d) Claims would be paid by the Stop Loss Insurance Policy after the money  
5 in the Trust Accounts to pay claims was depleted.

6 (e) The Health Plan would be operated in conformance with the Employee  
7 Retirement Income Security Act (hereafter "ERISA").

8 6. It was further part of the scheme and artifice to defraud that HYDE, individually  
9 and through ISI, failed to implement the Health Plan in accordance with his representations to  
10 Participants, agents, regulators, insurance companies, and others, as follows:

11 (a) ISI failed to deposit 30 percent of the collected premiums into Individual  
12 Trust Accounts; instead most of the funds were diverted for HYDE's personal expenses, salaries  
13 for HYDE's family members, automobiles, football tickets, office expenses, and sales  
14 commissions to promoters of the scheme.

15 (b) ISI failed to use 70 percent of the collected premiums to purchase a Stop  
16 Loss Insurance Policy; instead most of the funds were diverted for Hyde's personal expenses,  
17 salaries for Hyde's family members, automobiles, football tickets, office expenses, and sales  
18 commissions to promoters of the scheme.

19 (c) The Stop Loss Insurance coverage was provided by Colonnade Insurance  
20 Company (hereafter "Colonnade") an nonadmitted, unrated insurance company, which was  
21 domiciled in Aruba and had been in business for less than two years.

22 (d) Colonnade paid no claims for the benefit of Participants.

23 (e) The Health Plan violated ERISA.

24 7. The defendant, for the purposes of executing the scheme and artifice to defraud,  
25 and in attempting to do so, did for the purpose of executing that scheme, knowingly cause to be  
26 placed in a post office and authorized depository for mail matter, the following:

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Count	Date of Mailing	Description of Item Mailed
1	July 16, 1998	Quinney Electric, Inc. check no. 017715 in the amount of \$4,716.62
2	August 3, 1998	Southwest Winners, Inc. check no. 40902 in the amount of \$654.33
3	April 16, 1998	PFI Hotels, LLC check no. 17165 in the amount of \$1,682.36
4	February 20, 1998	Employee Administration Specialists, Inc. check in the amount of \$27,264.43
5	October 3, 1997	Transglobal Mortgage, Inc. check in the amount of \$89,000
6	April 6, 1998	Transglobal Mortgage, Inc. check in the amount of \$80,000
7	October 23, 1997	Transglobal Mortgage, Inc. check in the amount of \$101,576.25
8	May 5, 1998	Letter from John B. Hyde to Mary Sherman
9	October 9, 1997	Third Party Administrators Professional Liability Policy dated October 9, 1997 issued by American International Specialty Lines Insurance Company

All in violation of Title 18 U.S.C. § 1341 & 2.

**COUNT TEN: (18 U.S.C. §§ 1347 & 2 – Health Care Fraud)**

8. The allegations contained in paragraphs One through Six are realleged and incorporated by reference as if set forth here.

9. In or about and between August 1, 1997 and August 5, 1998, both dates being approximate and inclusive, in the Northern District of California and elsewhere, the defendant

**JOHN B. HYDE**

did knowingly and willfully execute a scheme and artifice to obtain, by means of false and fraudulent representations, pretenses and promises money and property owned by and under the custody and control of a health care benefit program in connection with the delivery of and payment for health care benefits, items and services, and in so doing did affect interstate commerce, by soliciting Participants to enroll in the Health Plan by means of false and fraudulent misrepresentations, and then failing to implement the Health Plan in accordance with his representations to Participants, agents, regulators, insurance companies, and others in violation of

1 Title 18 U.S.C. §§ 1347 & 2.

2 COUNTS ELEVEN THROUGH TWENTY: (18 U.S.C. § 18 U.S.C. 1956(a)(1)(A)(i) –  
3 Laundering of Monetary Instruments.)

4 10. The allegations contained in paragraphs One through Nine and Counts One  
5 through Ten are realleged and incorporated by reference as if set forth here.

6 11. In or about August 1, 1997 and August 5, 1998, both dates being approximate and  
7 inclusive, in the Northern District of California and elsewhere, the defendant

8 JOHN B. HYDE

9 did knowingly conduct financial transactions with the proceeds of a specified unlawful activity,  
10 to wit, mail fraud and health care fraud, violations of Title 18 United States Code, Sections 1341  
11 and 1347 respectively, with the intent to promote the carrying on of these specified unlawful  
12 activities, as follows:

13	Count	Date of Financial Transaction	Description of Financial Transaction	Amount
14	11	November 5, 1997	Check # 00510 from WestAmerica Account 1 to Digital Plaza	\$5,410.00
15	12	December 11, 1997	Check # 00583 from WestAmerica Account 1 to Goodman Enterprises	\$5,563.00
16	13	January 8, 1998	Check # 00633 from WestAmerica Account 1 to Goodman Enterprises	\$5,563.00
17	14	February 5, 1998	Check # 00940 from WestAmerica Account 1 to Frontier Communications Services	\$4,200.55
18	15	March 6, 1998	Check # 1050 from WestAmerica Account 1 to Frontier Communications Services	\$2,105.68
19	16	April 7, 1998	Check # 1146 from WestAmerica Account 1 to Frontier Communications Services	\$2,128.54
20	17	September 17, 1997	Check # 00267 from WestAmerica Account 1 to Money Machine	\$10,036.54
21	18	October 17, 1997	Check # 00403 from WestAmerica Account 1 to Brown Insurance GP	\$2,801.32
22	19	October 30, 1997	Check # 00478 from WestAmerica Account 1 to N.A.A.S., Inc.	\$852.00
23	20	May 19, 1998	Check # 00431 from WestAmerica Account 2 to James Hanna	\$620.05

All in violation of 18 U.S.C. § 1956(a)(1)(A)(i).

COUNT TWENTY-ONE THROUGH SIXTY-THREE: (18 U.S.C. §§ 18 U.S.C. 1957(a) – Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity.)

12. The allegations contained in paragraphs One through Nine and counts One through Ten are realleged and incorporated by reference as if set forth here.

13. In or about August 1, 1997 and August 5, 1998, both dates being approximate and inclusive, in the Northern District of California and elsewhere, the defendant

JOHN B. HYDE

did knowingly engage in monetary transactions in criminally derived property of a value greater than \$10,000 and derived from specified unlawful activities, to wit, mail fraud and health care fraud, violations of Title 18 United States Code, Sections 1341 and 1347 respectively, as follows:

Count	Date of Financial Transaction	Description of Monetary Transaction	Amount
21	November 19, 1997	Check # 00116 from WestAmerica Account 2 to Money Machine	\$17,814.30
22	December 18, 1997	Check # 00121 from WestAmerica Account 2 to Money Machine	\$19,900.39
23	January 22, 1998	Check # 00156 from WestAmerica Account 2 to Money Machine	\$16,575.39
24	February 5, 1998	Check # 00929 from WestAmerica Account 1 to American Express	\$18,200.00
25	February 17, 1998	Check # 00186 from WestAmerica Account 2 to Money Machine	\$17,385.17
26	March 26, 1998	Check # 1099 from WestAmerica Account 1 to American Express	\$14,869.41
27	July 24, 1998	Check # 1442 from WestAmerica Account 1 to American Express	\$13,053.19
28	October 30, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$30,000.00
29	November 10, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$27,000.00
30	November 13, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$47,880.96

31	November 25, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$30,000.00
32	December 12, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$13,000.00
33	December 15, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$60,000.00
34	December 17, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$11,200.00
35	December 19, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$14,000.00
36	December 31, 1997	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$40,000.00
37	January 9, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$20,500.00
38	January 15, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$40,000.00
39	January 29, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$20,000.00
40	February 9, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$42,000.00
41	February 12, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$40,000.00
42	February 25, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$30,000.00
43	March 9, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$42,000.00
44	March 12, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$30,000.00
45	March 27, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$17,000.00
46	March 30, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$38,088.80
47	March 30, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$20,850.00
48	April 14, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$31,000.00
49	April 28, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$40,000.00
50	May 5, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$16,000.00

51	May 8, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$20,000.00
52	May 13, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$35,000.00
53	May 22, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$12,000.00
54	May 27, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$45,000.00
55	June 8, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$19,780.20
56	June 11, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$40,000.00
57	June 11, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$13,000.00
58	June 29, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$37,500.00
59	July 8, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$35,000.00
60	July 9, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$42,500.00
61	July 24, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$20,000.00
62	July 28, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$30,000.00
63	July 31, 1998	Transfer from WestAmerica Account 2 to WestAmerica Account 1	\$40,905.97

All in violation of Title 18 U.S.C. § 1957(a).

COUNT SIXTY-FOUR: (18 U.S.C. § 982(a)(1) – Forfeiture.)

14. The allegations contained in paragraphs Ten through Fourteen and counts Eleven through Sixty-three are realleged and incorporated by reference as if set forth here.

15. As a result of the offenses alleged in Counts Eleven through Sixty-three above, defendant

JOHN B. HYDE

shall forfeit to the United States the sum of \$1,248,284.46, as property involved in or traceable to said money laundering violations.



16. If, as a result of any act or omission of the defendant, any of said property

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which without difficulty cannot be subdivided;

then the defendant shall forfeit to the United States any and all interest defendant has in any other property (not to exceed the value of the above forfeitable property), including but not limited to the following:

Real property and improvements located at 98 Calle Del Ribera, Stinson Beach, California 94970, identified by Assessor's Parcel Number 195 133 12 and 195 133 11.

All in violation of Title 18, United States Code, Section 982(a)(1).

DATED:

A TRUE BILL.

FOREPERSON

DAVID W. SHAPIRO  
United States Attorney

**J. DOUGLAS WILSON**  
Chief, Criminal Division

(Approved as to form: AUSA JACOBS)